

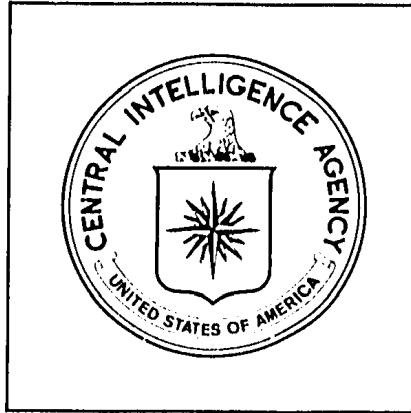
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WESTERN EUROPE - [REDACTED] - INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Iceland Toughens Position on Fisheries Dispute

Iceland has told the West Germans that fisheries talks between the two countries can resume only if West Germany agrees to halt the travel of factory and freezer vessels within Iceland's 50 mile fishing zone. Foreign Minister Agustsson announced the new conditions to the press on January 20.

Negotiations to end the dispute have been stalemated since last October when Iceland canceled a tentative agreement permitting some freezer trawlers to operate within the zone. Critics within the Independence-Progressive coalition claimed that the presence of even a limited number of trawlers was unacceptable.

Large factory and freezer trawlers, which make up the bulk of the West German fishing fleet, are capable of massive catches. The Icelanders want to protect the vital fishing industry by preventing resources from being depleted.

The current Icelandic government, formed last August, is anxious to prove that it can be just as tough as the previous center-left coalition on the fisheries issue. The Agustsson statement represents a harder line than this government has previously taken. (Confidential)

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Italian Christian Democrats Show Interest in
Cooperating with Communists

Local Christian Democratic Party organizations in Italy are showing increased interest in reaching accommodations with the Communist Party in local governments. The trend seems to have been sparked by the Venetian city government's decision last month to collaborate with the Communists on major municipal legislation.

Although the Communists have not actually entered the Venetian government, they have been invited to take part in the formulation of legislative proposals and to vote with the majority in the municipal council. The Venetian government, in which left-wing Christian Democrats predominate, took this step to break a deadlock within the government over how to use a grant from the national government to halt the decay of Venice's historical areas.

Since the Venetian accord, Christian Democratic leaders in at least three other localities have started to move in the same direction. In the province of Avellino, near Naples, the local Christian Democrats have apparently moved to establish a formal consultative link with the Communists. In Cosenza province, in the extreme south, the Christian Democrats have called for a "new relationship" with the Communists that would permit them to participate more directly in the legislative process. Meanwhile, in Agrigento province, in Sicily, the Christian Democrats are asking for Communist support in passing certain laws related to economic planning.

In Agrigento, the bid for closer relations with the Communists is apparently an attempt by left-wing Christian Democratic leaders to surmount divisions within their own party. In Avellino and Cosenza the overtures to the Communists result in part from the fact that left-wing Christian Democrats dominate the local governments. Probably of equal importance, however, are the

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turbulent relations between the Christian Democrats and Socialists in these areas. The Socialists have been increasingly demanding in the wake of recent electoral successes, and the Christian Democrats may see limited collaboration with the Communists as an expedient that would permit them to hang on to more of their own power.

In addition, local Christian Democrats may see a deal with the Communists as a way to pass certain reform legislation. Many Christian Democrats regard such action as an essential response to the widespread criticism of their party, but they have been frustrated by divisions within local center-left coalitions over reform questions.

These developments will almost certainly heighten tensions between the Socialists and the Communists. As part of their recent drive to capture more of the perquisites of power, the Socialists have stopped advocating a governmental role for the Communists.

The Communists are elated because the trend fits perfectly with their strategy of increasing Communist influence at the local level as a springboard for a later bid for a share of power in national politics.

Christian Democratic national leaders are downplaying the significance of the local agreements, but this probably reflects their inability to prevent them. [REDACTED] however, 25X1C Christian Democratic chief Fanfani is looking for a way to force the resignation of the Venetian government in order to discourage such experiments. (Confidential)

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Support Grows for EC-Iran Preferential
Trade Agreement

The EC Council has moved closer to a decision on a preferential trade agreement with Iran. Signs of support for such a preferential agreement continue to grow.

France and Denmark support a broad preferential pact; West Germany wants an agreement that will provide duty-free entry for products of its joint refinery venture with Iran in the Persian Gulf. The question of duty-free treatment is the main road block to this project since West Germany and Iran agreed last week on prices and taxes.

The UK and Italy would probably prefer not to see a preferential arrangement signed, but do not want to offend Iran. The UK has indicated it would not block an agreement if other EC members were in favor.

Ireland opposes preferential treatment for Iran, as does the EC Commission. Vice President Soames has argued that such an agreement would lead to a proliferation of demands for similar treatment and would undermine assurances given to the US.

The Council has referred the matter back to the permanent representatives of the Nine in Brussels with orders to move rapidly in deciding the matter. The Commission recommendations under study fall short of a preferential arrangement, but call for industrial cooperation with Iran and Tehran's participation in the community's scheme of generalized preferences for developing countries. The Foreign Ministers will reconsider the issue at their next Council meetings on February 10 and 11. (Confidential No Foreign Dissem)

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EC Sets IEA Link

The EC Council agreed this week on procedures for dealing with the International Energy Agency that will allow the Agency's work to go forward even if the Nine are not in agreement on a common energy policy.

The Council agreed that the eight EC members that are members of the energy agency-France of course is the holdout-would support an EC policy, when one exists, but would be free to act individually in the absence of an agreed EC position. The Council's move in effect denies France the opportunity to hold action in the energy agency hostage of progress on an EC energy policy.

Since the Martinique summit France has gingerly sought ways in which to participate in the energy agency's work and Paris' acquiescence in the Council decision marks a small step in the direction of a French link with Agency proceedings. France has now several times turned down opportunities to interfere with EC involvement in the international agency and French officials have said they would encourage the development of community solidarity with the energy agency.

The Council decision makes EC procedures for dealing with the energy agency similar to those it now follows in the UN and the OECD.

The Nine have yet to agree on the details of most issues that the energy agency is discussing. The EC ministers briefly considered EC Commission proposals to flesh out the general energy guidelines for consumption and conservation adopted in December, but put off decisions until a special Council meeting on energy next month.

The EC has not yet made much progress towards defining community positions for the energy agency

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preparations of the consumer side of the planned conference between oil producers and consumers. There are signs, however, that the EC will differ with US views on oil prices. An Italian official, for example, noting Italy's dependence on imported oil, has rejected any notion of keeping oil prices high in order to encourage the development of alternative energy sources.

Commission Vice President Simonet has also publicly rejected what he called the "American approach to pricing." The Commission has proposed instead supporting certain energy investments against the possibility of falling oil costs. (Confidential No Foreign Dissem)

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[REDACTED]
Phone: 143-7989Chirac and Gaullists Gain Ground

Prime Minister Chirac's takeover of the Gaullist leadership last month coupled with the difficulties and general inertia that other French parties are experiencing has improved the political fortunes of the Gaullist party.

Chirac's "interim" term as party secretary-general probably will continue into mid-year and possibly well beyond. There is still opposition among the Gaullists to Chirac's takeover, but it has not coalesced around a single rival. Olivier Guichard, who is Chirac's most likely rival, has let it be known that Chirac's secretary-generalship might not be a bad thing in the short run. An anti-Chirac grouping among Gaullist deputies in the National Assembly has also lost its momentum.

The Prime Minister is taking practical steps to tighten his hold on the party. He is pushing for the election of his men to key party slots before the party's central committee meets on February 2 to set the date and agenda for the party's national council session later that month. Chirac's energetic performance apparently is having a positive effect on the rank and file. [REDACTED]

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[REDACTED] over the last few weeks the party has attracted more new memberships and financial contributions than at any time since President Pompidou's death in early April.

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Part of Chirac's success and the new sense of vigor in the Gaullist party can be attributed to weaknesses in the other governing coalition parties and in the left alliance. Neither the centrists nor President Giscard's Independent Republicans have expanded their popular base since the presidential election last May. The Communists and Socialists are locked in a public exchange of abuse that is weakening their alliance.

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The danger of a complete break has increased now that Communist party chief Marchais, who is personally committed to cooperation with the Socialists, has become seriously ill.

Nevertheless, Chirac and the Gaullists still have a long way to go to restore the party to its former prominence. The party will have to show that it has an imaginative, effective program for meeting the economic and social problems facing France. Chirac will also have to cope with the natural competition that exists between himself and President Giscard. For the moment the two men are working well together but ultimately the different outlooks and goals of their parties will cause a clash.

As the constitution is usually interpreted the president, who represents the whole nation, and the prime minister, who represents the governing majority, are above party politics. The prime minister under this interpretation must avoid officially assuming direct responsibility for one of the political parties. Chirac has obviously broken this rule and seems determined to continue to hold both posts. This may well result in changes in the political system, which is already in the unprecedented position of having a president who is not the de facto head of the majority party. (Confidential)

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Spanish Labor Tension Eases

Strike activity in Spain eased in the past week but tension remains high in the Basque city of Pamplona where labor unrest is dramatized by a sit-in by 100 workers at the bottom of a potassium mine shaft--a demonstration now in its 16th day.

The extremist Revolutionary Workers Organization, a Jesuit-influenced labor group, is the principal clandestine labor union behind that demonstration. It has used strikes in the past to promote the social justice doctrines of the church.

Strikers throughout Spain have been encouraged by the increased church involvement on their behalf. Workers and priests staged sit-ins in the Barcelona cathedral last week, and 20 priests and seminarians recently staged a hunger strike at the bishop's palace in Pamplona. The archbishop of Pamplona issued a statement in support of labor's demands, and even the conservative archbishop of Zaragoza made a public appeal for the right to strike.

The government reacted in two ways. In a speech on January 18, the interior minister stressed that the government would maintain labor peace and uphold the principle of authority against all attempts to use labor disputes to disrupt public order. At the same time the government has moved to end continuing strikes over collective bargaining contracts by issuing a number of compulsory arbitration decisions which frequently are relatively favorable to workers and meet many of their economic demands.

The government may also move to ease tension by announcing the calendar for its promised spring elections for shop stewards in the official Syndicate Organization. This may absorb the attention of workers and clandestine labor groups who reportedly plan to concentrate on getting their own shop stewards elected.

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The troublesome strike at the SEAT Company auto manufacturing plant in Barcelona ended, reportedly as a result of the withdrawal of Spanish Communist Party members, the dominant element in the Workers Commission that was promoting the strike. The Communists evidently decided that further strike activity would be too costly. The key grievance--the workers' claim that the official shop stewards elected 4 years ago no longer represent their interests--has not been settled, and the strike could break out again..

Calls for a general strike on January 15 were a failure and another call for such a strike to start tomorrow is unlikely to succeed.
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